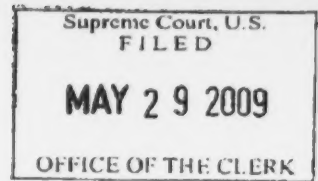


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No. 08-1203

IN THE
Supreme Court of the United States

QUANTA COMPUTER, INC., ET AL.,
Petitioners,
v.

RICOH COMPANY, LTD.,
Respondent.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

BRIEF IN OPPOSITION FOR RESPONDENT

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May 29, 2009

QUESTION PRESENTED

Whether the Federal Circuit correctly held that Ricoh had created a triable issue of fact that Quanta is liable for contributory infringement under § 271(c) of the Patent Act, 35 U.S.C. § 271(c), where the record evidence, viewed in the light most favorable to Ricoh, indicated that Quanta put into its products separable components that have *no use whatsoever* except to infringe Ricoh's patents.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, respondent Ricoh Company, Ltd. states the following:

Ricoh Company, Ltd. has no parent company, and no publicly held company owns 10 percent or more of its stock.

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<i>Sony Corp. of Am. v. Universal City Studios, Inc.</i> , 464 U.S. 417 (1984)	3, 8, 13, 14, 15, 20

STATUTES

Patent Act (35 U.S.C.):

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§ 271(b)	2, 6
§ 271(c)	1, 2, 3, 6, 7, 9, 11, 12, 14, 15, 16, 17, 18, 21, 22
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INTRODUCTION

Petitioners (collectively, "Quanta") make, sell, offer to sell, and import optical disc drives. Respondent ("Ricoh") sued Quanta for infringing patents on processes that those drives perform when recording information onto optical discs such as CDs (Compact Discs) and DVDs (Digital Video Discs or Digital Versatile Discs). The record evidence, "viewed in the light most favorable to Ricoh, indicated that Quanta's drives use separate hardware and embedded software modules to perform the patented processes and that those components had no noninfringing use." Pet. App. 22a. That is, Quanta put into its products separable components that have *no use whatsoever* except to infringe Ricoh's patents.

The hardware and software modules responsible for infringement are used exclusively for recording information onto a disc; they are *not* used when the drive is reading information from a disc. Quanta also makes and sells read-only disc drives that lack the separate hardware and software modules responsible for infringement in the accused drives. The read-only drives cannot be used to infringe Ricoh's patents because they cannot record information onto optical discs.

Quanta argues that it cannot be held liable for contributory infringement under 35 U.S.C. § 271(c) because it sells the infringing hardware and software modules as part of disc drives that can be used for the noninfringing purpose of reading discs rather than recording them. Quanta advances this argument even though the hardware and software modules responsible for the infringement are *never* used in a noninfringing way – they are not used at all when discs are read – and even though customers who wish to carry out the noninfringing reading function

but not the infringing recording function can purchase a read-only drive.

The Federal Circuit correctly rejected Quanta's argument, which finds no support in the statutory text or in precedent, and remanded the matter for trial on both the contributory infringement claim and a related claim that Quanta had actively induced infringement under § 271(b) of the Patent Act, 35 U.S.C. § 271(b).

Quanta's request for this Court's review fails on multiple grounds. *First*, the decision of the Federal Circuit is interlocutory. Quanta does not even challenge here the remand for trial on the active inducement claim. Thus, a trial will take place regardless, and it would make no sense to engage in piecemeal review now of the related contributory infringement claim. If that claim survives trial, it can be reviewed at that time on a full evidentiary record. See *Brotherhood of Locomotive Firemen v. Bangor & Aroostook R.R.*, 389 U.S. 327, 328 (1967) (per curiam) ("because the Court of Appeals remanded the case, it is not yet ripe for review by this Court") (citing *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 257-58 (1916) ("[E]xcept in extraordinary cases, the writ is not issued until final decree.")).

Second, the decision below comports with the plain text of the statute, which imposes contributory infringement liability on parties who make, sell, or import "a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention . . . and not a staple article or commodity of commerce suitable for substantial noninfringing use." 35 U.S.C. § 271(c). That is straightforwardly true where a separable piece of the defendant's larger units has no substan-

tial noninfringing use – it is even more true here, as the Federal Circuit noted, where the record evidence supports the conclusion that the component in question is deliberately and exclusively designed to infringe, is included in the larger units for the sole purpose of infringing, and has *no use whatsoever* but to infringe. A contrary reading would allow a party to avoid liability by the simple expedient of combining enabling hardware (with no use but to infringe) with separable, noninfringing hardware, thereby gutting the protection afforded by Congress.

Third, Quanta's claim that the decision below conflicts with this Court's decisions in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), and *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), depends on a blatant misreading and unwarranted expansion of those precedents.

Fourth, Quanta's allegation of an internal conflict within the Federal Circuit rests on a case that Quanta did not even cite in its merits briefs below and for good reason: the case, which dealt with patent misuse under § 271(d)(1), nowhere suggests that § 271(c) cannot be satisfied when a separable component – with no use other than to infringe – meets its terms.

Finally, Quanta's claim that the decision below has dire and "dramatic implications" for "all manufacturers, distributors, and retailers of complex consumer and industrial products" (Pet. 26) has no basis in reality and constitutes an attempt to immunize the deliberate importation and sale of hardware and software that has no use whatsoever other than to infringe. One might as well argue that cracking down on piracy will have a dire effect on legitimate maritime commerce.

STATEMENT OF THE CASE

A. Ricoh's Patents

Ricoh is a Japanese electronics company and a leading innovator in the field of optical discs and drives. Optical discs like CDs and DVDs can store immense amounts of digital information, including music, movies, or software. Ricoh pioneered the development of both *recordable* discs and drives, which allow users to record data permanently, and *rewritable* discs and drives, which allow users both to record data and to erase or overwrite it. Unlike Quanta, Ricoh invested millions of dollars in the research that led to the inventions claimed in the patents-in-suit. Ricoh made and sold optical disc drives for many years, but eventually exited the business due in part to competition from companies like Quanta that used Ricoh's patented inventions without paying royalties.

At issue in the present petition are Ricoh's U.S. Patent No. 5,063,552 ("the '552 patent") and U.S. Patent No. 6,661,755 ("the '755 patent"). Each of these patents covers a fundamental and widely used invention that has contributed to the commercial success of recordable and rewritable discs and drives.

The invention claimed in the '552 patent treats the optical disc as divided into annular (ring-shaped) zones. The system uses constant linear velocity within each zone – that is, the speed at which a track on the disc moves as it passes the spot illuminated by the laser is kept constant within a zone – but different linear velocities in different zones. This technique achieves unexpectedly high data density compared with previously used technologies, while using motors and control electronics that are significantly cheaper and less complex than those needed to

maintain a single constant linear velocity over the entire surface of the disc. See C.A. App. 2106.

The '755 patent solves a problem known as buffer under-run: User data entering an optical disc drive are kept temporarily in a memory, or "buffer," before being encoded and recorded onto the disc. If the buffer runs empty, or "under-runs," in the middle of a recording operation, the encoder in the drive will continue to output nonsense or "dummy" data that are recorded onto the disc. See *id.* at 2081, 2206. These dummy data can cause subsequent read-back operations to fail, thus rendering the disc unusable (except perhaps as a coaster for cups and glasses). The '755 patent solves the problem by pausing the recording operation when the input buffer runs low on user data and later resuming recording in such a way that, when the disc is read back, the data appear to the user as if they had been recorded without interruption. See *id.* at 2206. This is sometimes referred to in the industry as "anti-coaster" technology because it prevents users from inadvertently turning their discs from information storage media into mere coasters. See *id.*

Ricoh has licensed the patents-in-suit to other disc drive manufacturing companies, which pay royalties for the use of these important inventions.

B. Proceedings Below

Ricoh sued Quanta for infringement of the '552 patent, the '755 patent, and two other patents in the United States District Court for the Western District of Wisconsin. On Quanta's motion for summary judgment, the district court ruled that there was insufficient evidence that Quanta directly or indirectly infringed the '552 and '755 patents. See Pet. App. 47a, 61a-77a. The district court also found that one

of the other patents was invalid and the other one was not infringed. *See id.* at 47a, 48a-61a.

On appeal, in relevant part, the Federal Circuit reversed the district court's rulings on indirect infringement. The court of appeals ruled unanimously that the district court had committed an error of law by applying an incorrect standard in assessing Ricoh's evidence that Quanta has actively induced infringement under § 271(b) of the Patent Act. *See id.* at 30a-37a. A majority of the Federal Circuit panel ruled that the district court had also committed an error of law in evaluating Ricoh's evidence of contributory infringement under § 271(c) of the Patent Act. *See id.* at 21a-30a.

In a carefully reasoned opinion, the court of appeals examined the text, history, and purpose of the contributory infringement doctrine codified in § 271(c). The court highlighted the "core notion" embodied in the statute: "one who sells a component especially designed for use in a patented invention may be liable as a contributory infringer, provided that the component is not a staple article of commerce suitable for substantial noninfringing use." *Id.* at 23a. The court also noted that its interpretation of the statute was consistent with the House Judiciary Committee report that accompanied the enactment of § 271(c): "[o]ne who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention.'" *Id.* (quoting H.R. Rep. No. 82-1923, at 9 (1952)).

Given the procedural posture of the case, the court of appeals accepted as true "Rico's evidence that Quanta's drives contain at least some distinct and

separate components used only to perform the allegedly infringing write methods." *Id.* at 22a. The court noted that it was *undisputed* that "Quanta would be liable under § 271(c) if it imported into or sold within the United States a bare component (say, a microcontroller containing routines to execute the patented methods) that had no use other than practicing the methods of the '552 and '755 patents." *Id.* at 24a. That being the case, the real question before the court was whether Quanta could "escape liability as a contributory infringer merely by embedding that microcontroller in a larger product with some additional, separable feature before importing and selling it." *Id.*

The court of appeals answered that Quanta could *not* escape liability by embedding its contributory infringing components in larger products because, on its face, the § 271(c) "statutory language 'offers to sell or sells . . . or imports into the United States' applies not only to the bare sale of an infringing component, but also to the sale of that component as part of a product or device." *Id.* at 23a-24a (alteration in original). "If we were to hold otherwise," the court explained, "then so long as the resulting product, as a whole, has a substantial non-infringing use *based solely on the additional feature*, no contributory liability would exist despite the presence of a component that, if sold alone, plainly would incur liability." *Id.* at 24a. The court noted that this would lead to arbitrary results:

Consider a hypothetical patented method of using an answering machine to take messages. If a manufacturer of an infringing answering machine sells two versions of the device, a stand-alone version and a version with a built-in telephone, consumers directly infringe when they use

either to carry out the patented message-taking method. Under the dissent's logic, however, the manufacturer would only incur contributory liability for the stand-alone answering machine, and not for the version that is identical but for the addition of a telephone.

Id. at 24a n.7. The court then considered and rejected all of the points Quanta now raises in its petition. The court explained why its ruling is fully consistent with this Court's *Grokster* and *Sony* precedents (*id.* at 25a-28a), with the Federal Circuit's own *Hodosh* precedent (*id.* at 28a-29a),¹ and with the remainder of the statutory framework (*id.* at 29a-30a).

Judge Garjarsa dissented on the issue of contributory infringement.

Quanta sought panel rehearing and rehearing by the Federal Circuit *en banc* of both the active inducement and contributory infringement rulings. In its rehearing petition, Quanta raised the same arguments that it presents in its current petition to this Court. Both the panel and the court *en banc* denied the rehearing requests without dissent. See *id.* at 80a-81a. The court of appeals' mandate issued on February 24, 2009, and on March 20, 2009, the district court set the case for trial to begin on November 9, 2009. Because Quanta has not sought review in this Court of the Federal Circuit's remand of the active inducement issue, a trial on that issue will be needed regardless of how the current petition dealing with contributory infringement is resolved.

¹ See *Hodosh v. Block Drug Co.*, 833 F.2d 1575 (Fed. Cir. 1987).

REASONS FOR DENYING THE PETITION

The decision of the court of appeals is grounded in the text of the statute, fully consistent with existing precedent, and plainly correct. It does not warrant further review, particularly not in the interlocutory posture of this case, which Quanta does not dispute was properly remanded to the district court for trial on the merits of a related issue.

I. THE FEDERAL CIRCUIT'S DECISION ON CONTRIBUTORY INFRINGEMENT COM- PORTS WITH BOTH THE TEXT AND THE PURPOSE OF § 271(c)

Section 271(c) of the Patent Act imposes contributory infringement liability on parties who offer for sale, sell, or import "a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, *constituting a material part of the invention*, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use." 35 U.S.C. § 271(c) (emphasis added).

The Federal Circuit adopted a straightforward reading of this language, under which liability for contributory infringement attaches where the component or apparatus in question is deliberately and exclusively designed to infringe, is included in the larger units for the sole purpose of infringing, and has no use whatsoever but to infringe. Under such circumstances, the component or apparatus in question "constitut[es] a material part of the invention" and has no "substantial noninfringing use."

Only those aspects of the component or apparatus that meet at least one limitation of a patent claim

can constitute "a material part of the invention." Separable aspects of the apparatus that do not meet any claim limitation are not a material part of the invention and should not be taken into account when analyzing whether the apparatus used in practicing the patented process is suitable for substantial non-infringing use.

Quanta claims that its disc drives are suitable for the substantial noninfringing use of reading discs. But Quanta does not and cannot claim that the reading function of the drives constitutes a material part of the inventions at issue here (which involve recording). Carrying out a reading operation is not a noninfringing use of the circuitry and software responsible for infringement; rather, the reading function is made possible only through the *non-use* of that circuitry. Furthermore, Quanta cannot deny that the noninfringing reading function is separable from the infringing recording function, for Quanta also sells read-only drives that have the noninfringing features without the infringing ones.

A set of separable hardware and software modules that has no use except to infringe meets the plain language of the statute, as the court of appeals ruled, even if those components are sold or imported as part of a larger unit. "The statutory language 'offers to sell or sells . . . or imports into the United States' applies not only to the bare sale of an infringing component, but also to the sale of that component as part of a product or device." Pet. App. 23a-24a (alteration in original).

Quanta's petition depends critically upon the notion that, by importing optical drives into the United States and selling them, Quanta is *not* importing and selling the components that make up those drives.

See Pet. 12-13. Yet Quanta cites no precedent in support of this counterintuitive idea. In Quanta's world, when Toyota imports a car, it does not import the tires on the car. The Federal Circuit long ago rejected Quanta's argument in a closely analogous context when it held that a component (like a microcontroller) is "imported" when it enters the country even as part of a larger product (like a disc drive or cell phone). See *Hyundai Elecs. Indus. Co. v. ITC*, 899 F.2d 1204, 1209 (Fed. Cir. 1990) (holding under International Trade Commission ("ITC") statute, 19 U.S.C. § 1337). If one "imports" a component even as part of an imported larger article for purposes of ITC actions involving patent infringement, the same common-sense meaning applies to all the actions under § 271(c) (which since 1994 has covered acts of importation as well as sales or offers to sell).

The Federal Circuit's decision is thus faithful to the statutory text, including the clause in § 271(c) that requires the item having a substantial non-infringing use to constitute a material part of the invention.

This reading of § 271(c) is also fully consistent with the purpose of the statute. As the court of appeals recognized, allowing contributory infringers to evade liability by the simple expedient of combining enabling hardware (with no use but to infringe) with separable, noninfringing hardware would gut the protection afforded by Congress. As the court of appeals explained:

A competitor who wished to sell hardware that would enable infringement of a patented process could do so without incurring liability for contributory infringement by selling a device that simply embedded the hardware for practicing the

patented process within other hardware that also performs another process, or by combining the enabling hardware with other hardware before importing it.

Pet. App. 25a.

Moreover, under Quanta's reading, only the first person in the supply chain could be liable for contributory infringement; subsequent purchasers who bought an infringing component and assembled it into something else would face no liability "even if that component were good for nothing but infringement." *Id.* "And most importantly, no § 271(c) liability could ever be found where an infringing component is both manufactured *and* assembled into something else by the same person." *Id.* As a result, "the only remedy would be against end users of the product for direct infringement." *Id.* But that result would undermine "a fundamental purpose of contributory infringement liability: because 'it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative [is] to go against the distributor of the copying device for secondary liability.'" *Id.* (quoting *Grokster*, 545 U.S. at 929-30) (alteration in original). Thus, § 271(c)'s rationale as well as its language applies, as the panel held.

The decision also is in harmony with the rest of § 271. A party cannot escape liability for *direct* infringement by adding features or functions to an accused device, if the device with those additions still meets all of the claim limitations. See *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 945 (Fed. Cir. 1990) (per curiam). The current decision confirms that this same uncontroversial principle applies to contributory infringement as well.

II. THE FEDERAL CIRCUIT'S DECISION ON CONTRIBUTORY INFRINGEMENT IS CONSISTENT WITH PRECEDENT

A. The Federal Circuit's Decision Is Consistent with this Court's Precedents

This Court has explained that the contributory infringement doctrine

was devised to identify instances in which it may be presumed from distribution of an article in commerce that the distributor intended the article to be used to infringe another's patent, and so may justly be held liable for that infringement. One who makes and sells articles which are only adapted to be used in a patented combination will be presumed to intend the natural consequences of his acts; he will be presumed to intend that they shall be used in the combination of the patent.

Grokster, 545 U.S. at 932 (internal quotation marks omitted). On the other hand, "the doctrine absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses." *Id.* The Federal Circuit here correctly applied this Court's line of distinction.

Quanta latches on to the phrase "article in commerce" in the above-quoted passage from *Grokster* and attempts to refashion it into a putative "article in commerce" rule from this Court that the Federal Circuit supposedly disregarded in favor of a new "component" rule. Pet. 21. But the questions whether and how an "article in commerce" differs from a "component" (as Quanta would now have it) were never presented, let alone decided, in *Grokster* or *Sony*.

Moreover, as its opinion makes clear, the Federal Circuit paid careful attention to this Court's *Grokster* and *Sony* precedents, which teach that "the purpose of the 'substantial noninfringing use' exception of § 271(c) is to allow determination of instances where the intent to infringe may be presumed based on the distribution of a product that has an unlawful use." Pet. App. 26a (citing *Grokster*, 545 U.S. at 932-33). A defendant's sale of a combination in which some components have substantial noninfringing uses and others do not, but where the noninfringing components could be offered separately, evidences a clear intent that the infringing components be used for an unlawful purpose, which is precisely the conduct at which § 271(c) aims. If the features of the accused product that constitute a material part of the invention are used as intended, the natural consequence will be infringement. The fact that other, separable features that do not constitute part of the invention are offered in combination with those infringing features is of no consequence.

In both *Grokster* and *Sony*, there was no combination. Rather, the "equivocal conduct" that avoided contributory infringement involved a *single* item that could be used in two different ways – one lawful and one infringing.² As a result, by offering the item to the public, the seller might well be intending only the lawful use. On the facts of *Grokster* and *Sony*, the infringing and noninfringing uses were intertwined

² *Grokster* involved file-sharing software that could be used to pirate copyrighted works or lawfully to share works in the public domain. See 545 U.S. at 922-23. *Sony* involved video cassette recorders (VCRs) that could be used to pirate copyrighted works or lawfully to time-shift the viewing of television programs. See 464 U.S. at 422-23.

with one another in such a way that one could not make a product suitable for the noninfringing use that did not also have the potential infringing use.³

Here, by contrast, Quanta not only could but does make a product suitable for the noninfringing use of reading discs but that does not have the infringing recording feature. Furthermore, the separate components in Quanta's drives that are responsible for the infringing recording feature have *no* noninfringing use. The court of appeals correctly recognized that, by including the infringement-only components, Quanta must be intending that they be used for infringement: "When a manufacturer includes in its product a component that can *only* infringe, the inference that infringement is intended is unavoidable." Pet. App. 26a. This conclusion is entirely consistent with *Grokster* and *Sony*.

Quanta Computer, Inc. v. LG Electronics, Inc., 128 S. Ct. 2109 (2008), a recent case involving some of the current petitioners, bolsters the correctness of the Federal Circuit's focus on the particular separable features used to perform the patented methods. Although that case concerned the patent exhaustion doctrine, this Court used an approach very close to contributory infringement analysis and ruled that, as long as the particular "features partially practicing the patents" have no significant alternative use, *id.* at 2119 n.6, the exhaustion doctrine applied when

³ When confronted with cases in which the infringing and noninfringing uses *cannot* be separated, the Federal Circuit has applied the rule of *Grokster* and *Sony* to find no liability under § 271(c). See, e.g., *Alloc, Inc. v. ITC*, 342 F.3d 1361, 1374 (Fed. Cir. 2003) (no contributory infringement of method for installing flooring, where evidence showed that same flooring could be installed by noninfringing method; no feasible way to separate infringing and noninfringing aspects of flooring).

Intel sold the Intel microprocessors at issue, which had many noninfringing features. What mattered was that particular features of the microprocessors had no significant noninfringing use, even though they were combined with other noninfringing features. *See id.*

B. The Federal Circuit's Decision Is Consistent with that Circuit's Own Precedents

Quanta's petition (at 17-20) rests heavily on a purported conflict with *Hodosh* – a case that Quanta did not even cite in its briefs to the Federal Circuit. There is no such conflict. After careful analysis, *see* Pet. App. 29a, the court of appeals correctly concluded that the contributory infringement question at issue here was neither present nor decided in *Hodosh* – which, like all opinions, “must be interpreted in light of the issue before the court, and cannot uncritically be extended to significantly different situations.” *Perez v. Department of Justice*, 480 F.3d 1309, 1312 (Fed. Cir. 2007).

Hodosh's patent claimed a method for desensitizing teeth by applying thereto “potassium nitrate mixed with a nontoxic paste.” *Hodosh*, 833 F.2d at 1576. Both patentee Hodosh and accused infringer Block sold toothpaste containing potassium nitrate. *Id.* at 1576 & n.3. Each purchaser of Hodosh's toothpaste received an implied license to apply the product to teeth in accordance with the claimed method. *Id.*

Hodosh came before the Federal Circuit on a certified question concerning patent misuse under § 271(d), *not* allegations of contributory infringement under § 271(c). The alleged infringer Block accused the patentee Hodosh of misuse “by reason of his having . . . derived revenue from” selling the application-ready toothpaste, 35 U.S.C. § 271(d)(1), with a supposedly

illegal tie-in between licenses to use the patented method and purchases of Hodosh's toothpaste. 833 F.2d at 1576.

In rejecting that claim, the *Hodosh* court stressed that § 271(d)(1)'s own language asked whether the actions of Hodosh that were the basis for the misuse allegation (sale of the toothpaste) would, if Block did the same, be contributory infringement. *Id.* In concluding that such a sale would violate § 271(c), *Hodosh* held that it is sufficient that the overall product sold comes within its terms. *Hodosh* thus rejected Block's "attempted limitation" of § 271(c) to an ingredient of the product (that is, his argument that there could be no § 271(c) violation because the potassium nitrate ingredient was admitted to be a staple with noninfringing uses). *Id.* at 1578.

The court's focus on the toothpaste, rather than the potassium nitrate ingredient, was necessitated by Block's own allegations of an illegal tie-in under which licenses to practice the patent were tied to sales of the toothpaste (not sales of the nitrate ingredient). But *Hodosh* does not turn the sufficient condition into a necessary condition, as Quanta argues; it nowhere says that § 271(c) is not satisfied when a separable component meets its terms. Such a conclusion, indeed, would defeat *Hodosh*'s core point. As the court of appeals recognized in the present case, "the *Hodosh* court rejected the argument that an otherwise *infringing* product may automatically escape liability merely because it contains a *non-infringing* staple ingredient." Pet. App. 28a (citing *Hodosh*, 833 F.2d at 1578). Quanta here "would do what *Hodosh* forbade: it would insulate an infringing item by focusing only on its noninfringing component." *Id.* at 29a.

In short, *Hodosh* does not support Quanta's position that distributing an item that has no substantial noninfringing use escapes § 271(c) if it is inserted into a larger product, from which it remains separable, just because the overall product's other components have noninfringing uses.

Nor is there any conflict between the current decision and the Federal Circuit's prior decision in *AquaTex Industries, Inc. v. Techniche Solutions*, 419 F.3d 1374 (Fed. Cir. 2005), which addresses contributory infringement in a cursory manner in a footnote and does not address what would happen if the infringing item were sold in a package with other separate items *not* used for infringement – the question at issue here. *See id.* at 1379 n.**. At most, *AquaTex*, like *Hodosh*, stands for the uncontroversial proposition that an otherwise infringing product does not escape liability under § 271(c) simply because it contains a noninfringing staple ingredient.

C. The Federal Circuit's Decision Is Consistent with Pre-Existing District Court Precedents

Although the current case appears to be the first time that the Federal Circuit has addressed the question whether a contributory infringer can shield itself from liability by the simple expedient of bundling components useful only for infringement together with separable, noninfringing components, the court's resolution of that issue did not represent a departure from existing case law. District courts have long recognized that allowing parties to evade contributory infringement liability simply by packaging components useful only for infringement together with other, noninfringing components that can be offered separately would make § 271(c) a dead letter.

For example, in *Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F. Supp. 988 (N.D. Ill. 1988), the defendant argued that it was not liable for contributory infringement for selling its cable television converter box that not only practiced the claimed method but also separately provided such additional functions as unscrambling cable television signals (just as Quanta's drive performs unpatented reading functions). *Id.* at 994. The district court rejected the argument: "that the device sold has other functions which are performed simultaneously with the patented method does not otherwise substantiate a non-infringing use for the purposes of § 271(c)." *Id.* at 995. The court reasoned (*id.*):

This rule flows directly from the logic of the patent laws. To hold to the contrary would allow sellers of products that are clearly intended to infringe a patented method to avert liability simply by adding functions to that device. Therefore, we do not think it enough that [the defendant] may have combined in the same package several devices: one to [perform the patented method of] suppress[ing] . . . interference, [and] one to unscramble signals

Similarly, in *Philips Electronics North America Corp. v. Contec Corp.*, 411 F. Supp. 2d 470 (D. Del. 2006), the defendant had created a remote control that could be programmed by using a patented "auto-scan" method or an unpatented "direct entry" method. *Id.* at 472-73. The defendant argued that using the unpatented direct entry method was a substantial noninfringing use of the remote control. See *id.* at 475-76. The court rejected that argument: "Defendants could sell a device which contained only the 'direct entry' method of programming, but they

chose not to. Therefore, the Defendants cannot take shelter in arguing that their [remote controls] are capable of a substantial non-infringing use." *Id.* at 476-77 & n.6. *Accord Imagexpo, L.L.C. v. Microsoft Corp.*, 284 F. Supp. 2d 365, 368 (E.D. Va. 2003). Quanta likewise can and does sell a device that contains only the noninfringing reading feature of the accused drives. The inclusion of that separable feature does not shield Quanta from liability for the infringing recording feature, which is enabled by components that have *no* noninfringing use.

It is noteworthy that the first of these cases, *Oak Industries*, expressly considered whether this Court's *Sony* decision compelled a contrary result and concluded that it did not, because *Sony* did not involve a situation where the infringing and noninfringing functions or features were separable. *See* 697 F. Supp. at 996. The subsequent cases followed *Oak* in distinguishing those cases in which the infringing and noninfringing uses are separable from those in which they are inseparable – the same line respected by the court of appeals here. *See Philips Elecs.*, 411 F. Supp. 2d at 476-77 & n.6 (distinguishing cases in which "same technology" has noninfringing use from instant case in which "separate and separable methods of programming" are used, "only one of which infringes"); *Imagexpo*, 284 F. Supp. 2d at 368 (denying summary judgment based on questions of material fact including: "Are the [accused] software suites a combination of separable functions, or is each suite designed such that, due to the limits of technology, each necessarily and incidentally practices the patented method in order to accomplish its purpose?").

In light of these precedents, it is simply not correct to suggest, as Quanta does, that, prior to the current decision, sellers and importers of complex products containing separable infringing and noninfringing features "were not at legal risk of section 271(c) liability." Pet. 27. The court of appeals confirmed that existing law does not allow parties selling components "especially made or especially adapted for" infringing use (35 U.S.C. § 271(c)) to avoid liability by including those components as part of a more complex package.

III. THE FEDERAL CIRCUIT'S DECISION ON CONTRIBUTORY INFRINGEMENT DOES NOT WARRANT REVIEW

Quanta's suggestion that the decision below is of "surpassing importance" and constitutes an "unwarranted expansion of contributory infringement liability" with "dramatic implications" for "all manufacturers, distributors, and retailers of complex consumer and industrial products" (Pet. 25-26) is difficult to take seriously.

As demonstrated above, the court of appeals did *not* effect any sweeping change to contributory infringement liability. The court merely confirmed what a number of district courts have already held, consistently with this Court's decisions: that a party who sells or imports components that are deliberately and exclusively designed to infringe is not immunized from liability by combining those components with separable, noninfringing hardware.

It is worth stressing that contributory infringement, unlike direct infringement, is *not* a strict-liability tort. Section 271(c) "require[s] a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both

patented and infringing." *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964). Thus, parties risk liability under § 271(c) when they sell or import a combination that includes components having no use other than to infringe, but only if they could offer all of the noninfringing aspects of the combination *without* the infringing ones, and they also *proceed with the knowledge* that the components responsible for the infringement are patented and infringing. When all these conditions are met – and what the trial below will determine is whether Quanta meets them all – it is fair to conclude that the infringing components have been included in the combination with the intent that they be used for infringement. And it is fair to hold the seller liable for the direct infringement that predictably results when its products are used as intended.

The advent of ubiquitous computing has not altered the applicability of the statute in these circumstances. Although Quanta protests that "one cannot simply delete firmware elements and have an operative product" (Pet. 28), that is not true in the present case. If it were, then Quanta could not sell read-only drives, as it does. The degree to which firmware components are integrated is likely to vary from case to case. There is no reason to doubt that the federal courts will be equal to the task of figuring out when components especially designed for infringement are separable and when they are not.

In sum, there is no need for action by this Court in order to forestall the impending collapse of the nation's technology companies under an imagined wave of contributory infringement liability, as Quanta intimates. If, as Ricoh maintains, the Federal Circuit's decision is simply the routine application of

settled principles, then there is no question deserving of this Court's attention. On the other hand, if the Federal Circuit's decision were as revolutionary as Quanta supposes – and it is not – then this Court would soon have ample opportunities to consider the issue again, with the benefit of a factual record and additional percolation and refinement of the issue in the lower courts. Either way, there is no need for this Court to take up the issue now.

CONCLUSION

The petition for a writ of certiorari should be denied.

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